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MID-SESSION REVIEW OF THE 1978 BUDGET

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	<u>Page</u>
OVERVIEW.....	1
Part 1. THE BUDGET OUTLOOK.....	3
Budget Totals.....	3
Short-Range Economic Forecast.....	6
Budget Receipts.....	8
Budget Outlays.....	13
Budget Authority.....	43
Part 2. LONG-RANGE PROJECTIONS.....	53
Long-Range Economic Assumptions.....	53
Budget Projections.....	56
Projections of Outlays for Open-Ended Programs and Fixed Costs.....	81
Spending from Balances of Budget Authority at the End of Fiscal Year 1978.....	83

GENERAL NOTES

Budget figures for all years reflect a recent definitional change. Earned income credit payments in excess of an individual's tax liability, formerly treated as outlays, are now classified as income tax refunds. The effect of the change is to reduce budget authority, outlays, and receipts each by \$0.8 billion in 1976, \$0.1 billion in the transition quarter, and by \$0.9 billion in 1977 and in 1978, with no effect on deficit figures. The reduction in budget authority and outlays affects the data for the income security function and for the Department of the Treasury. The revisions are reflected in the February and April estimates in this report, as well as in the current estimates. For this reason, the figures shown in this document as February and April estimates are not the same as published earlier. The revised figures are now comparable to the congressional budget resolutions.

All years referred to are fiscal years unless otherwise noted. Actual data for the transition quarter, which occurred between 1976 and 1977, can be found in the 1978 budget.

Detail may not add to totals due to rounding.

LIST OF TABLES

	<u>Page</u>
THE BUDGET OUTLOOK	
1. Budget Totals.....	5
2. Short-Range Economic Forecast.....	7
3. Budget Receipts by Major Source, 1976-1978.....	9
4. Changes in Budget Receipts.....	11
5. Reconciliation with April Estimates.....	14
6. Major Changes in Budget Outlays.....	16
7. Budget Outlays by Function, 1976-1978.....	17
8. Budget Outlays by Agency, 1976-1978.....	18
9. Major Changes in Budget Authority.....	44
10. Budget Authority by Function, 1976-1978.....	43
11. Budget Authority by Agency, 1976-1978.....	49
12. Budget Receipts and Outlays by Fund Group, 1976-1978.....	50
13. Budget Surplus or Deficit (-) by Fund Group and Type of Transaction, 1976-1978.....	51
14. Debt Subject to Limit, 1976-1978.....	52
LONG-RANGE PROJECTIONS	
15. Long-Range Economic Assumptions.....	55
16. The Fiscal Outlook, 1978-1982.....	58
17. Budget Outlays by Function, 1978-1982.....	62
18. Composition of Budget Outlays, 1976-1982.....	63
19. Effect of Energy Plan on Federal Outlays and Tax Receipts.....	65
20. Budget Outlays by Agency, 1978-1982.....	70
21. Projected Receipts by Major Source, 1978-1982.	72
22. Estimated Effects of Legislation on Long-Range Receipts, 1978-1982.....	76
23. Estimated Effects of Legislation on Receipts by Major Source, 1978-1982.....	78
24. Budget Authority by Function, 1978-1982.....	79
25. Budget Authority by Agency, 1978-1982.....	80
26. Projections of Outlays for Open-Ended Programs and Fixed Costs, 1978-1982.....	82
27. Estimated Spending from End of Fiscal Year 1978 Balances of Budget Authority: Non-Mandatory Programs.....	84

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OVERVIEW

This document provides:

- revised budget estimates for 1977 and 1978 as required by Section 201 of the Budget and Accounting Act, as amended;
- long-range projections through 1982 reflecting current Administration policy; and
- economic assumptions on which the estimates and projections are based.

The 1978 budget was first submitted to the Congress by the previous administration in January 1977 and revised by the current Administration in February 1977. The Congress was also provided with reestimates of major portions of the budget on April 22.

By law, the budget revisions in this document are required by July 15. However, they are being submitted two weeks early so that they will be more useful to the Congress in the development of the Second Concurrent Resolution on the 1978 Budget.

In the past, the mid-session estimates for the current year reflected nearly a full year of actual outlays. Because of the change in the fiscal year, which now ends on September 30, the estimates for 1977 are based on actual data for two-thirds of the year.

Two major policy changes have caused revisions from the February budget estimates: changes in the economic stimulus program resulting from improved economic conditions, and the energy proposals announced by the President on April 20.

By the end of the first quarter of calendar year 1977, economic conditions had improved significantly and some parts of the stimulus program were no longer needed to maintain a sustained economic recovery. The tax rebate and business tax incentives proposals were withdrawn, having a net effect of \$12.2 billion on reducing the deficit.

The energy proposals announced April 20 are estimated to increase the deficit \$1.5 billion in 1978, but would not have a substantial effect on the deficit through 1985. Net receipts from the proposed oil and gas use tax offset added outlays for the new or expanded Federal energy proposals for the 8-year period 1978 through 1985. These proposals are designed to promote energy conservation and expand the strategic petroleum storage program.

In addition to the energy policy and economic stimulus proposals, the Administration has already presented longer-range financing for social security programs, and will propose major welfare and tax reforms before the end of the fiscal year. The details of the latter two proposals have not yet been fully developed.

Part 1

THE BUDGET OUTLOOK

Budget Totals

Although the Congress has completed virtually all action that will affect the 1977 totals, actual amounts of receipts and outlays to be reported in late October may vary from these estimates because of unforeseen events. Receipts for 1977 are now estimated to be \$358.3 billion, \$9.8 billion above the February estimate, and outlays are expected to be \$406.4 billion, \$10.2 billion below the February estimate (adjusted for the change in the budget treatment of the earned income credit in excess of tax liabilities). The deficit for 1977 is now expected to be \$48.1 billion, a decrease of approximately \$20 billion since February, as shown in Table 1.

Most of these changes were reflected in revised estimates released in April along with a revised economic forecast.

For 1978, the President's February budget revisions called for outlays of \$458.5 billion. The current estimate -- which takes into account changes in the economic stimulus program, revised economic assumptions, the energy proposals, and congressional action -- is \$462.9 billion. Receipts for

1978 are now projected at \$401.4 billion, an increase of \$0.7 billion since the estimate made in February. These estimates result in a projected deficit of \$61.5 billion for 1978, an increase of \$3.8 billion from the February estimate.

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